



# IMF POLICY PAPER

MAY 2023

## IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD-ENDORSED RECOMMENDATION FROM THE IEO EVALUATION ON IMF AND CAPACITY DEVELOPMENT

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**International Monetary Fund**  
**Washington, D.C.**



May 10, 2023

## IMPLEMENTATION PLAN IN RESPONSE TO THE BOARD ENDORSED RECOMMENDATION FROM THE IEO EVALUATION ON IMF AND CAPACITY DEVELOPMENT

### EXECUTIVE SUMMARY

This Management Implementation Plan (MIP) proposes actions in response to the Board-endorsed recommendations provided by the Independent Evaluation Office (IEO)'s report on IMF and Capacity Development (CD). Staff has already begun addressing some of the IEO recommendations and several of the actions proposed in this MIP reflect initiatives in train. Resource implications are therefore expected to be manageable in the near term as these actions have mostly been incorporated into departmental work plans and budgets for fiscal year (FY) 2024. Medium-term resource implications will be discussed in the context of the FY 2025-FY 2026 medium-term budget proposals.

The MIP addresses seven recommendations of the IEO evaluation, which aim at:

- **Enhancing the strategic framework**, by reviewing the Fund's CD Strategy in 2023 and subsequently, operationalizing its recommendations through the development and publication of a CD Guidance Note in 2024.
- **Strengthening the Executive Board's strategic and oversight role** by introducing a formal mid-point progress report in May 2026 on the five-year implementation of CD Strategy; enhanced provision of information through reporting dashboards and more consistent coverage of CD issues in Article IV staff reports required in the CD Guidance Note; and enabling better linkages between financing agreements and broader CD strategy.
- **Promoting ownership by the authorities** through measures established in the CD Strategy Review (CDSR) and the pursuant Guidance Note towards strengthened buy-in and tailoring of CD to specific country circumstances and updated guidance on integration with surveillance and program.
- **Leveraging and sustaining Regional Capacity Development Centers (RCDC)** by ensuring strategic governance and financing issues are assessed as part of CDSR, and related recommendations are operationalized through the pursuant Guidance Note.

- **Enhancing the Monitoring and Evaluation (M&E) Framework** through a results-based management (RBM) dashboard and other information dissemination tools to facilitate planning and prioritization; developing RBM e-learning to enable continuous staff training; conducting a review of the Capacity Development Management and Administration Program (CDMAP) to improve its processes and functionality; as well as an assessment of the Fund's M&E in CDSR to ensure its strategic use for CD planning, delivery, and results reporting.
- **Enhancing the stability and flexibility of funding** through a review of the options for further evolving the funding model and risk mitigating strategies as part of the upcoming CDSR.
- **Calibrating Human Resources (HR) policies and incentives to support the Fund's CD expertise** by partially considering HR issues during the CDSR against the backdrop of the ongoing implementation of the 2017 HR Medium-term Strategy.

The MIP is focused around two key deliverables—the 2023 CD Strategy Review (CDSR) and a subsequent formal Guidance Note (2024) that will operationalize the recommendations of the CDSR and consolidate and streamline existing governance materials. Several short-term actions are also proposed.

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## CONTENTS

Acronyms	4
<b>INTRODUCTION</b>	<b>5</b>
<b>IEO RECOMMENDATIONS, BOARD REACTIONS, AND IMPLEMENTATION PLAN</b>	<b>6</b>
<b>RESOURCE IMPLICATIONS</b>	<b>15</b>
<b>BOX</b>	
1. The IEO Recommendations	5
<b>ANNEX</b>	
I. The IMF and Capacity Development—Management Implementation Plan	16

## Acronyms

CCB	Committee on Capacity Building
CD	Capacity Development
CDMAP	Capacity Development Management and Administration Program
CDSR	Capacity Development Strategy Review
CES	Country Engagement Strategy
CSN	Country Strategy Notes
CSR	Comprehensive Surveillance Review
EAG	External Advisory Group
FCS	Fragile and Conflict-Affected States
FY	Fiscal Year
HR	Human Resources
HQ	Headquarters
IEO	Independent Evaluation Office
ICG	Interdepartmental Contact Group
M&E	Monitoring and Evaluation
MIP	Management Implementation Plan
RBM	Results-Based Management
RCDC	Regional Capacity Development Centers
RSN	Regional Strategy Notes
SDS	Small Developing States
SMART	Specific, Monitirable, Achievable, Relevant, and Timebound
ToR	Terms of Reference

## INTRODUCTION

1. **The Executive Board and management welcomed the findings and broadly supported the key recommendations of the [IEO evaluation on IMF and Capacity Development](#).** The evaluation was discussed by the Board on September 26, 2022. Directors welcomed the finding that the high-quality Fund CD has supported member countries in a very wide range of circumstances and was recognized as a key function of the Fund alongside surveillance and lending. Directors supported the thrust of the IEO's key recommendations (see Box 1 for ease of reference), implementation of which will further reinforce the value provided by the Fund's CD to our member countries.
  
2. **This paper presents a Management Implementation Plan (MIP) to take forward the Board-endorsed recommendations from the evaluation, including specific actions, timing, and responsibility for implementation** (see Annex for the matrix). The implementation plan is centered around the forthcoming Capacity Development Strategy Review (CDSR), which will be issued in December 2023. The CDSR will be informed by the comprehensive IEO evaluation findings and will address many of the recommendations within a broader five-year CD strategy. The CDSR will take into account resource constraints and prioritize actions that will enhance the impact of CD for members. The proposed scope of the review was discussed and broadly endorsed by the Executive Board on December 5, 2022. Following the completion of the review, staff will prepare a CD guidance note by December 2024; it will provide the Board additional detail on how the recommendations will be implemented. The MIP also contains several actions that will be taken prior to the completion of these exercises.

### Box 1. The IEO Recommendations

**Recommendation 1: Further enhance the strategic framework for IMF CD** to provide clearer guidance for a more intentional and transparent approach to the prioritization and allocation of IMF CD.

**Recommendation 2: Further develop the Executive Board's strategic and oversight role** through increased engagement and provision of information.

**Recommendation 3: Reinforce measures to promote CD ownership**, along with tighter integration with surveillance and lending, tailoring to country circumstances and promoting collaboration, as key drivers of CD effectiveness.

**Recommendation 4: Leverage further the advantages of Regional Capacity Development Centers (RCDC)** and put them on a sustainable footing.

**Recommendation 5: Further enhance the Monitoring and Evaluation (M&E) system** and fully exploit it to drive improvement in CD prioritization, design, and delivery.

**Recommendation 6: Consider further steps to enhance the stability and flexibility of CD funding** in order to sustain support for the CD needs of member countries.

**Recommendation 7: Calibrate Human Resources (HR) policies and incentives to ensure that the IMF maintains and enhances the quality and continuity of CD expertise**, and that CD receives appropriate priority as an integral aspect of country engagement.

## IEO RECOMMENDATIONS, BOARD REACTIONS, AND IMPLEMENTATION PLAN

**3. The IEO report made seven recommendations to help reinforce the value and impact of the IMF CD.** This section summarizes Directors' reactions to the recommendations, reports on actions taken or initiatives in train since the completion of the IEO report, and proposes "SMART" (Specific, Monitorable, Achievable, Relevant, and Timebound) actions to address the recommendations.

**Directors broadly supported Recommendation 1 to further enhance the strategic framework for IMF CD to provide clearer guidance for a more intentional and transparent approach to the prioritization and allocation of IMF CD and asked specific proposals to be discussed during the upcoming review of the CD Strategy.**

### Possible specific short-term steps identified by IEO at the MIP stage:

- *More clearly articulating the role of CD in meeting the IMF's goals; the synergies between CD, surveillance, and programs at the institutional and country levels; and the trade-offs between the objectives of, and guiding principles for, CD.*
- *Enhancing the empirical/analytical basis for informing trade-offs in allocating CD.*
- *Strengthening the role of the Committee on Capacity Building (CCB) including through updating its Terms of Reference (ToR).*
- *Clarifying departmental roles and responsibilities vis-à-vis CD, to avoid overlaps, inconsistencies, and any potential incompatibility in responsibilities.*
- *Ensuring that country strategy notes (CSNs) are regularly and consistently produced for all heavy users of CD.*

**4. Board reactions.** Directors noted that this objective would be a key theme of the forthcoming Review, which will consider synergies and trade-offs between CD, surveillance, and program work, and reflect on the overall size of CD. At the same time, most Directors noted that the Review is not meant to be an overarching framework for the entirety of Fund engagement with member states, and that developing such an umbrella framework covering CD, surveillance, and lending would be a costly exercise with uncertain benefits given the backdrop of already existing Board-endorsed policies and strategic documents both on CD and the other main activities of the Fund. Some Directors, however, suggested or were open to considering such a framework. Directors agreed that strengthening the role of the CCB, including through updating the ToR will be important. They agreed that regional and country strategy notes should continue to drive prioritization at the country level while improving their rigor, consistency, and approaches to strengthen member country engagement. While a number of Directors supported or were open to the recommendation to develop Country Engagement Strategies (CES) for all heavy CD users, other Directors wondered about the cost implications of mandating such use for all heavy CD users and a

few Directors noted that this would best be considered following longer experience with the implementation of the Fragile and Conflict-Affected States (FCS) Strategy.

## Implementation Plan

**5. Enhancing the strategic framework for CD is a key topic for the 2023 Review of the CD Strategy.** The Board-endorsed concept note for the 2023 CDSR is informed by the IEO's recommendations, as well as the insights from relevant policy and strategy reviews, including the FCS Strategy, Comprehensive Surveillance Review, Strategy to Address Climate Change Policy Related Challenges, Digital Money Strategy, and Strategy Toward Mainstreaming Gender. The CDSR review will also consider synergies and trade-offs between CD, surveillance, and program work and reflect on the overall size of CD. It aims to enhance the strategic framework and prioritization by:

- Updating and proposing more detailed guiding principles on the objectives of Fund CD beyond those currently outlined in the [policies and practices statement](#);
- Mapping out the Fund's comparative expertise in the CD space, taking into account evidence on impact, the changing pattern of demand, and complementarities with other providers;
- Assessing progress toward integrating CD with surveillance and lending, analyze synergies and complementarities between CD, surveillance, and program work, and propose practical avenues for further improving strategic aspects of member country engagements;
- Examining the desirable size of CD spending relative to other core activities of the Fund, given the changing needs of the membership, evolving coverage of Fund surveillance, development of other providers in similar fields, and technological developments; and
- Reflecting on how the current composition of Fund CD stacks up against the proposed new principles, including whether country-level CD reflects surveillance and program priorities.

**6. Following the Board endorsement of the new CD strategy (aimed for December 2023), staff will prepare a CD Guidance Note.** The Guidance Note will replace the 2019 IMF Policies and Practices on Capacity Development and align the approach to CD with the one followed for other strategy reviews. It will operationalize the review recommendations and integrate/update staff guidelines and guidance notes related to CD delivery and management—including those on CD-surveillance integration, monitoring and evaluation, and RBM—under one comprehensive document. As a result, existing multipronged guidance documentation will be streamlined and made available to the Board and general public. The Guidance Note will also update existing staff guidelines on country strategy notes (CSNs) and regional strategy notes (RSNs) in line with the findings of CDSR and IEO recommendations. In developing the CD Guidance Note, staff will take stock of implementation progress on CESs for FCS and consider whether further adoption for other members is appropriate. This approach will ensure that all CD guidance is strategically aligned, enhanced to respond to the IEO recommendations, and provides a unified and streamlined



operational direction to staff. The CD Guidance Note is targeted to be prepared by the end of 2024 in consultation with departments.

**7. Staff will update the ToR for the CCB to further strengthen its strategic decision-making role by May 2023.** The focus will be on ensuring the CCB is focused on consideration of strategic issues, such as guiding the tradeoffs inherent in absorbing new priorities into existing delivery and is able to leverage enhanced monitoring and evaluation information to enhance impact.

**The Executive Board concurred with Recommendation 2 on further developing the Executive Board's strategic and oversight role through increased engagement and provision of information, and some actions to implement it are already in train.**

**Possible specific short-term steps identified by IEO at the MIP stage:**

- *Introducing a formal Board midpoint review on implementation of CD Strategy, including progress reports in annual briefing on CD priorities.*
- *Requiring all surveillance and program country documents for heavy CD users to include a short but substantive discussion of the CD strategy for the subject country.*
- *Explaining in documents seeking Board approval of new external funding vehicles how these vehicles and CD activities contribute to the Fund's CD strategy.*

**8. Board reactions.** Directors recognized that Board engagement on prioritization and strategy has increased significantly in recent years, with formal engagement remaining centered on the five-year CD strategy reviews. They agreed that introducing a formal mid-point progress report on the implementation of the CD strategy could be a useful vehicle for deepening Board engagement. They saw merit in strengthening the coverage of CD in appropriate Board country documents, in line with the Comprehensive Surveillance Review guidance, as well as in continuing to explore other means for enhancing information provision to the Board on CD effectiveness and value for money, including through funding vehicle approvals and standardized reporting formats. This will help enhance the Board's strategic oversight.

### Implementation Plan

**9. The Board's strategic oversight role in the implementation of the five-year strategy reviews will be strengthened by establishing a formal mid-point progress report to the Board.**

The report will take stock of the progress made in the implementation of the recommendations from the CDSR and will seek the Board's guidance on the overall direction of the implementation and views on actions taken. The mid-point reporting of the 2023 CDSR will be delivered 2.5 years after its completion, i.e., approximately in May 2026.

**10. The Board will be apprised more explicitly about the linkages between financing agreements and broader CD strategy.** Documents seeking Board approval of new external funding

vehicles will include a discussion of the extent to which the proposed vehicle or arrangement aligns with the Fund's institutional objectives and contributes to the Fund's CD strategy. This practice will start in 2024, following the completion of the CDSR, including any finding related to the funding model (see Recommendation 6).

**11. Selected specific actions to further enhance the Board's engagement on CD have already been taken by staff:**

- The [new Guidance Note for Comprehensive Surveillance Under Article IV Consultations \(June 2022\)](#), emphasizes strengthening the coverage of CD in appropriate Board country documents. Staff efforts are now focused on consistent implementation of this guidance, including with the help of Board feedback. In the context of developing the new CD Guidance Note, staff will take stock of progress on implementation, including through reviewing the coverage of CES in staff reports for FCS and small developing states (SDS), and will consider additional requirements for the adequate coverage of CD issues in surveillance and program staff reports.
- The new [CD information dissemination policy](#) will help facilitate broader access to CD-related materials and enable more active publication.
- Staff is developing reporting dashboards based on improved data generated by CDMAP. These will be used as a basis to provide the Board access to information updated on a regular basis beginning with data as at the end of FY23. The dashboards should be available by end-2023 and will include information on CD delivery and results by country, region, and workstream.

**The Executive Board endorsed Recommendation 3 to reinforce measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances and promoting collaboration, as key drivers of CD effectiveness. Some actions are already in train, and further proposals to be discussed during the upcoming review of the CD Strategy.**

**Possible specific short-term steps identified by IEO for future consideration at the MIP stage:**

- *Deepening engagement with recipient authorities in the development of CSNs and in the design and planning of CD projects.*
- *Enhancing the guidance to staff on how to navigate challenges of CD in a program context to support rather than hinder CD ownership.*
- *Clarifying the expectations of and guidance for staff, especially resident representatives, on supporting efforts by country authorities to lead and coordinate CD providers, underpinned by collection and dissemination of evidence on best practices more generally in coordination of CD providers.*

**12. Board reactions.** Directors stressed the importance of enhancing the guidance to staff on how to integrate CD in a program context. They encouraged addressing these issues in the context of the upcoming Review.

### Implementation Plan

**13. Staff has already invested significant efforts in strengthening authorities' ownership, integration with surveillance, and tailoring to country context, which were all central objectives of the 2018 CD Strategy Review.** This recommendation is already embodied in recent staff guidance including RBM operational guidelines, FCS guidance note, Operational Guidelines for Integrating CD with Surveillance and Lending, and new Guidance Note for Comprehensive Surveillance Under Article IV Consultations. Nonetheless, there is still room for further improvement as highlighted in the IEO evaluation. The 2023 CDSR will seek to identify approaches to assessing absorptive capacity and propose measures to promote country buy-in and commitment including through enhanced tailoring to country conditions. The CD Guidance Note will operationalize its recommendations in this area.

**14. The 2018 CD Strategy Review concluded that CD integration was stronger for lending than surveillance operations.** As a result, the development of guidance focused more on strengthening CD/surveillance integration. Following the IEO's finding that more guidance was required also on integration in program contexts, the CD Guidance Note will include updated and strengthened guidance on CD integration requirements in both surveillance and program contexts so that CD ownership and implementation are supported while taking into account countries' capacity constraints.

**15. The CDSR will consider the Fund's position vis-à-vis other CD providers in its main areas of expertise.** It will seek the main areas of the IMF's comparative advantage, and potential for duplication and/or complementarity in CD provision with other providers, including with the World Bank. Building on this it will identify good practices in collaboration and coordination and identify areas for further strengthening.

**The Executive Board agreed with Recommendation 4 to further leverage the advantages of RCDCs and put them on a sustainable footing, with specific proposals to be discussed during the upcoming review of the CD Strategy.**

#### **Possible specific short-term steps identified by IEO for future consideration at the MIP stage:**

- *Clarifying the roles of headquarters (HQ) and RCDCs and strengthening the governance structure of RCDCs.*
- *Moving toward more coherent geographic coverage, as well as more consistent deployment of fully integrated centers and greater balance in funding across regions.*
- *A stronger role for IMF financing of RCDCs to ensure a more stable source of funds for overhead costs, enabling donor resources to be focused on financing specific CD activities.*

**16. Board reactions.** Directors highlighted that enhancing field presence in general and the governance of RCDCs, including clarifying the roles of HQ and RCDCs, is an important element of CD provision and should be a central element in the upcoming Review. Many Directors called for increasing Fund financing of RCDCs to ensure a more stable source of funds and noted that a stronger role for IMF internal financing should be explored. Other Directors recognized that implementation would depend on resource availability.

## Implementation Plan

**17. Staff will consider field presence and the role of RCDCs in the 2023 CDSR.** The RCDC model is a cornerstone of the Fund's CD field presence, and the review will provide an opportunity to consider some longstanding strategy and governance issues. These include financing, as the centers are effectively reliant on funding from partners and member countries to sustain CD delivery and some centers face significant financing gaps. To maximize the impact of the Fund's field presence and increase its efficiency, the review will also assess the relative benefits of various forms of engagement by HQ and field-based experts and centers, including their respective roles and responsibilities; explore policies (including HR and budget) to support deeper field presence; and discuss whether changes are needed in the mandates, internal governance, and financing structure of RCDCs. The budget augmentation strategy recently approved by the Board provides a structural increase of \$3 million over FY23-25 to support field presence. Additional increases in IMF financing for RCDCs would need to consider trade-offs implied by a flat real budget.

**18. The pursuant CD Guidance Note will operationalize the recommendations in this area.** The note will include guidance on RCDC governance, roles and responsibilities (HQ and field), good practices on knowledge exchange mechanisms, and other issues arising from the IEO and strategy recommendations.

**The Executive Board broadly agreed with Recommendation 5 to further enhance the M&E system and fully exploit it to drive improvement in CD prioritization, design, and delivery. RBM analysis to be conducted during the upcoming review of the CD Strategy, and other actions will build on the ongoing work on RBM systems.**

### Possible specific short-term steps identified by IEO for future consideration at the MIP stage:

- *A thorough assessment of CDMAP progress and remaining challenges, with further fine-tuning of CDMAP to ensure that the system is as user friendly as possible.*
- *Developing a more coherent institution-wide strategy for CD evaluation to be endorsed by the CCB, covering both internal and external evaluations, that guides what will be evaluated and by whom, ensuring lessons are distilled and effectively disseminated.*
- *Streamlined project assessments reports prepared at the conclusion of all projects should include lessons learned with broad applicability and comments from the relevant authorities, to serve as the building blocks for broader evaluations.*

**19. Board reactions.** Directors encouraged undertaking a thorough assessment of progress under CDMAP and remaining implementation challenges, along with fine-tuning of operational practices as experience with CDMAP accumulates. Directors also encouraged continued efforts to improve the quality and consistency of RBM, including through closer communication between area and CD departments and with authorities. Directors emphasized that the CCB should continue to strive for a coherent and effective evaluation strategy to learn lessons for how to ensure maximum CD impact. Noting the three already extensive externally mandated evaluation program, Directors suggested seeking to make strategic use of their findings and synthesize them so they can better inform planning, design, and prioritization of all Fund CD. They also noted that options should be explored to further strengthen the strategic planning and execution of internal evaluations, while bearing in mind cost-benefit trade-offs.

### Implementation Plan

**20. The Board-endorsed [Concept Note for the 2023 CDSR](#) sets out clear objectives to further enhance the Fund's M&E system.** Accordingly, the review will (i) propose more systematic coverage and usage of M&E tools, such as RBM data, project assessments, evaluations, training surveys and test scores, to assess impact, ownership, traction, and value for money; (ii) enhance strategic selection and use of evaluations as a tool for CD prioritization; and (iii) report a summary of findings, recommendations, action plans (and progress) from previous evaluations, and consider ways of enhancing their impact on strategy, prioritization and delivery. The pursuant Guidance Note to be produced by end 2024 will update and operationalize guidance on RBM and other M&E issues raised by the IEO and the CDSR.

**21. Prior to the completion of the CDSR, staff will undertake three additional initiatives in 2023 to enhance M&E systems.** These are (i) developing an RBM dashboard for results and delivery reporting, and to facilitate planning and prioritization; (ii) launching RBM e-learning to enable continuous staff training and access to information on RBM requirements and good practices; and (iii) undertaking a review of CDMAP with an objective to continue to improve system's performance, user experience, and functionality. A follow-up capital project targeted for early 2024 will incorporate lessons from the CDMAP review and possible recommendations on new practices stemming from CDSR.

**The Executive Board broadly agreed with Recommendation 6 to consider further steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries. Some actions to implement are already in train, and further proposals to be discussed during the upcoming review of the CD Strategy.**

**Possible specific short-term steps identified by IEO for future consideration at the MIP stage:**

- *Further enhancements in the management of the current external funding model to enhance its effectiveness and efficiency.*

**Possible specific short-term steps identified by IEO for future consideration at the MIP stage (continued):**

- *Exploring potential alternatives to increase funding, such as a targeted increase in contributions from higher income recipients, an internal stabilization mechanism or larger contributions from internal resources.*
- *Enhancing communication across departments regarding requests and engagement with donors.*

**22. Board reactions.** Directors recognized that the Fund has made progress in this area in recent years including broadening of the donor base, creating buffers for CD demand surges, and instilling a carryforward policy for multi-year CD programs and expenditure optimization. In this regard, Directors saw the benefit of continuing to explore new options, although they recognized that the scope for, or speed of, significant gains may be limited, given pressures on both Fund and donor budgets. Some Directors were open to exploring the feasibility of the option to increase charging for CD services. Other Directors expressed doubts, given the serious administrative difficulty of implementing such a charging regime and the limited appetite of members for the policy. Many Directors were also open to exploring the merits of larger contributions from internal Fund sources. Many Directors suggested a review of the CD funding model, including external funding vehicles. Directors noted, however, that the merit and practicality of the different options would have to be carefully considered in light of the Fund's income model and donors' preferences and constraints.

### **Implementation Plan**

**23. Staff will review the CD funding model as part of the 2023 CDSR.** The review will explore funding options, including potential for further increasing the internal funding for CD, consistent with the principles underlying the Fund's income model. It will review the policy of charging advanced economies, explore new funding options and modalities and consider risk mitigating strategies including through strengthening coordination with the Fund's other fundraising activities.

**24. The review will pay particular attention to the funding issues related to the sustainability of RCDCs** and consider risk mitigating strategies to fully leverage the advantages of external partner collaboration as well as to review the feasibility of the proposal for a stronger role for IMF financing.

**25. This review will build on the significant progress the Fund has made in this area in recent years including broadening of the donor base,** creating buffers for CD demand surges, and instilling a carryforward policy for multi-year CD programs and expenditure optimization. The scope for significant increases in internal funding will continue to be subject to the overall prioritization within the Fund's medium-term budget process and the trade-offs that come with a principle of a flat real budget.

**The Executive Board agreed with Recommendation 7 to calibrate HR policies and incentives to ensure that the IMF maintains and enhances the quality and continuity of CD expertise, and that CD receives appropriate priority as an integral aspect of country engagement.**

**Possible specific short-term steps identified by IEO for future consideration at the MIP stage:**

- *Energizing the development and implementation of an ambitious expert track to enhance career opportunities by providing additional budgetary resources.*
- *Taking steps to complete the workforce planning and talent inventory initiatives to allow better tracking and planning of CD expertise across the Fund.*
- *Seeking to build on innovations introduced during the pandemic with a view to appealing to a broader candidate pool and helping attract high-quality and diverse experts.*
- *Re-examining HR policies and practices to assess whether they are appropriately calibrated to balance the tension between flexibility and continuity in CD expertise.*

**26. Board reactions.** Directors stressed the need to deliver on initiatives such as the talent inventory and the expert track that were already part of the HR strategy. Directors recognized that the timing of implementation of some other elements of this recommendation would need to be aligned with the pace of broader HR reforms, although several Directors suggested there could be scope to consider options on flexible working arrangements, at least on a trial basis. Directors looked forward to proposals in the MIP on staff incentives to work in CD. They noted that raising the recognition and opportunities for CD specialists at the Fund also requires behavioral and cultural changes.

### **Implementation Plan**

**27. Staff will partially consider HR issues during the CDSR.** Against the backdrop of the ongoing implementation of the 2017 HR Medium-Term Strategy, and the need to calibrate HR policies to maintain and enhance the quality and continuity of CD expertise, the review will identify areas that could help raise the recognition of CD work, increase opportunities for and retention of CD specialists, program managers and administrators (e.g., flexibility of location, greater fungibility across job streams) and improve staff incentives to work on CD, including in the new priority areas. However, while recommendations can be developed, implementation of measures in many of these areas can only be considered in the context of a comprehensive review of Fund-wide HR employment policies. A key challenge to tackle is the internal perception the IEO Evaluation noted that CD work is less valued and conducive to career progression than surveillance and program work. Behavioral and cultural changes that can address it cannot be achieved solely through HR policy changes. For example, increasing assignments of CD specialists to country teams can cultivate greater appreciation of specialized expertise and bolster further integration of CD with surveillance and lending.

**28. Nevertheless, some measures to assist in providing a sound HR environment for staff engaged in CD delivery and administration will be put in place in the short- to medium- term.** Specifically, work on establishing an expert track and talent inventories will commence in FY25. In addition, the Human Resources Department and Institute for Capacity Development will collaborate on updating workforce planning materials for CD management staff, with a view to ensuring that there is adequate scope for career development for these specialist staff, who are essential to effective and efficient CD delivery.

## RESOURCE IMPLICATIONS

**29. The immediate actions proposed in this MIP will be manageable within existing resource constraints.** The main actions—conducting the CDSR and developing subsequent CD Guidance Note—are covered by the current departmental budgets. Other short-term actions will also be absorbed within existing departmental budgets. However, the recommendations from the CDSR could have more significant resource implications, which would be quantified in the course of that review and would need to be considered in the broader budget context.



## Annex I. The IMF and Capacity Development—Management Implementation Plan

IEO Recommendations	Summing Up Guidance	Follow Up Plan (Actions)	Accountability and Timeline
<p><b>Recommendation 1. Further enhance the strategic framework for IMF capacity development (CD) to provide clearer guidance for a more intentional and transparent approach to the prioritization and allocation of IMF CD.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>• More clearly articulating the role of CD in meeting the IMF's goals; the synergies between CD, surveillance and programs at the institutional and country levels; and the trade-offs between the objectives of, and guiding principles for CD.</li> <li>• Enhancing the empirical/analytical basis for informing trade-offs in allocating CD.</li> <li>• Strengthening the role of the Committee on Capacity Building (CCB) including through updating its Terms of Reference (ToR).</li> <li>• Clarifying departmental roles and responsibilities vis-à-vis CD, to avoid overlaps, inconsistencies, and any potential incompatibility in responsibilities.</li> <li>• Ensuring that Country Strategy Notes (CSNs) are regularly and consistently produced for all heavy users of CD.</li> </ul> <p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>• Extending Country Engagement Strategies (CES) to all heavy CD users.</li> </ul>	<p>Directors broadly supported Recommendation 1 noting that the objective of this recommendation would be a <b>key theme of the forthcoming Review</b>, which will consider synergies and trade-offs between CD, surveillance, and program work, and reflect on the overall size of CD.</p> <p>Most Directors noted that the Review is not meant to be an overarching framework for the entirety of Fund engagement with member states.</p> <p>Directors agreed that strengthening the role of the CCB, including through updating the ToR will be important.</p> <p>They agreed that Regional Strategy Notes (RSNs) should continue to drive prioritization at the country level while improving their rigor, consistency, and approaches to strengthen member country engagement.</p> <p>A number of Directors were open to the recommendation to develop CES for all heavy CD users, but others wondered about the cost implications, and a few noted that this would best be considered following longer experience with the implementation of the Fragile and Conflict-Affected States (FCS) Strategy.</p>	<p>CD Strategy Review (CDSR) will make recommendations to enhance the clarity and transparency of strategic and prioritization framework, specifically:</p> <ul style="list-style-type: none"> <li>• Propose more detailed guiding principles on the objectives of Fund CD.</li> <li>• Map the Fund's comparative expertise in the CD space, taking into account evidence on impact, the changing pattern of demand, and complementarities with other providers.</li> <li>• Assess progress toward integrating CD with surveillance and lending, analyze synergies and trade-offs between CD, surveillance, and program work, and propose practical avenues for further improving strategic aspects of member country engagements.</li> <li>• Examine the desirable size of CD spending relative to other core activities of the Fund, given the changing needs of the membership, evolving coverage of Fund surveillance, development of other providers in similar fields, and technological developments.</li> </ul> <p>Prepare a new CD Guidance Note that will operationalize recommendations of the CDSR as well as updating/ integrating several existing staff guidelines on CD, including those on CD-surveillance integration and results-based management (RBM).</p> <p>Revise CCB ToR in line with the IEO recommendations to further strengthen CCB's strategic decision-making.</p>	<p><b>By:</b> December 2023 <b>Responsible:</b> ICD in consultation with the Interdepartmental Contact Group (ICG) and External Advisory Group (EAG).</p> <p><b>By:</b> December 2024 <b>Responsible:</b> Lead ICD in consultation with departments.</p> <p><b>By:</b> May 2023 <b>Responsible:</b> ICD in consultation</p>

<b>The IMF and Capacity Development—Management Implementation Plan (continued)</b>			
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<ul style="list-style-type: none"> <li>Developing explicit guiding principles on how to balance competing considerations in allocating CD resources and the use of internal vs external funding.</li> <li>Developing a holistic framework to examine the roles synergies and tensions across CD, surveillance and program work in different country contexts with input from an external expert group</li> </ul>		<p>Update staff guidance on CSN and RSN in line with findings of CDSR and include in CD Guidance Note to ensure their consistency and coverage. Guidance on CES is covered in the FCS staff guidance note. In developing the new CD Guidance Note, staff will take stock of implementation progress through reviewing the coverage of CES in staff reports for FCS and CSNs for other heavy CD users.</p>	<p>with departments</p> <p><b>By:</b> December 2024 <b>Responsible:</b> ICD in consultation with departments</p>
<p><b>Recommendation 2. Further develop the Executive Board's strategic and oversight role through increased engagement and provision of information.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>Introducing a formal Board midpoint review on implementation of CD Strategy and also including progress reports in annual briefings on CD priorities.</li> <li>Requiring all surveillance and program country documents for heavy CD users to include a short but substantive discussion of the CD strategy for the subject country.</li> <li>Explaining in documents seeking Board approval of new external funding vehicles how these vehicles and CD activities contribute to the Fund's CD strategy.</li> </ul>	<p>Directors concurred with Recommendation 2 on further developing the Executive Board's strategic and oversight role through increased engagement and provision of information.</p> <p>They agreed that introducing a formal mid-point progress report on the implementation of the CD strategy.</p> <p>They saw merit in strengthening the coverage of CD in appropriate Board country documents, in line with the comprehensive surveillance review (CSR) guidance, as well as in continuing to explore other means for enhancing information provision to the Board on CD effectiveness and value for money, including through funding vehicle approvals and standardized reporting formats.</p>	<p>Establish a mid-point review of the CDSR to provide the Board with an opportunity to offer strategic guidance in between five-year reviews.</p> <p>Provide the Board with access to CD results information through new regularly updated reporting dashboards based on CDMAP data.</p> <p>Take stock of CSR and CES implementation and explore harmonized approaches to ensuring the adequate coverage of CD issues in Article IV staff reports. These approaches will be reflected in the CD Guidance Note which will also update the existing staff guidelines on the integration of CD with surveillance and lending.</p> <p>Documents seeking Board approval of new external funding vehicles will set out how these vehicles contribute to the Fund's CD strategy.</p>	<p><b>By:</b> May 2026 <b>Responsible:</b> ICD lead in consultation with departments</p> <p><b>By:</b> December 2023 <b>Responsible:</b> ICD in collaboration with SEC and ITD</p> <p><b>By:</b> December 2024 <b>Responsible:</b> Lead ICD in consultation with departments.</p> <p><b>By:</b> December 2023 <b>Responsible:</b> ICD</p>

<b>The IMF and Capacity Development—Management Implementation Plan (continued)</b>			
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<p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>Developing a reporting format to routinely provide more information and analysis to the Board of the results, impact, and value for money of CD activities.</li> </ul>			
<p><b>Recommendation 3. Reinforce measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances and promoting collaboration as key drivers of CD effectiveness.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>Deepening engagement with recipient authorities in the development of CSNs and in the design and planning of CD projects.</li> <li>Enhancing the guidance to staff on how to navigate challenges of CD in a program context to support rather than hinder CD ownership.</li> <li>Clarifying the expectations of and guidance for staff, especially resident representatives, on supporting efforts by country authorities to lead and coordinate CD providers, underpinned by collection and dissemination of evidence on best practices more generally in coordination of CD providers.</li> </ul> <p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>Exploring options for recipient authorities to signal their ownership, for example through requiring sign-off of</li> </ul>	<p>Directors supported Recommendation 3. Directors stressed the importance of enhancing the guidance to staff on how to integrate CD in a program context. They encouraged <b>addressing these issues in the context of the upcoming Review.</b></p>	<p>CDSR will make recommendations to enhance CD ownership, surveillance, and program integration and traction, and coordination with CD providers.</p> <p>Prepare a CD Guidance Note that will operationalize CD Strategy recommendations and enhance the existing guidance on the integration of CD with surveillance and lending with measures on how to leverage and navigate challenges of CD in a program context to support CD ownership and implementation while considering capacity constraints.</p>	<p><b>By:</b> December 2023 <b>Responsible:</b> ICD in consultation with the ICG and EAG.</p> <p><b>By:</b> December 2024 <b>Responsible:</b> Lead ICD in consultation with departments.</p>

<b>The IMF and Capacity Development—Management Implementation Plan (continued)</b>			
<b>IEO Recommendations</b>	<b>Summing Up Guidance</b>	<b>Follow Up Plan (Actions)</b>	<b>Accountability and Timeline</b>
ToR for CD projects, and commitment of resources to working with the Fund. Staff could also explore ways to measure and assess ownership on a more systematic basis.			
<p><b>Recommendation 4. Leverage further the advantages of Regional Capacity Development Centers (RCDCs) and put them on a sustainable footing.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>• Clarifying the roles of headquarters (HQ) and RCDCs and strengthening the governance structure of RCDCs.</li> <li>• Moving toward more coherent geographic coverage, as well as more consistent deployment of fully integrated centers and greater balance in funding across regions.</li> <li>• A stronger role for IMF financing of RCDCs to ensure a more stable source of funds for overhead costs, enabling donor resources to be focused on financing specific CD activities.</li> </ul> <p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>• Enhanced knowledge exchange across RCDCs and between centers and HQ about best practices.</li> </ul>	<p>Directors agreed with Recommendation 4.</p> <p>They highlighted that enhancing field presence in general and the governance of RCDCs, including clarifying the roles of HQ and RCDCs, is an important element of CD provision and <b>should be a central element in the upcoming Review.</b></p> <p>Many Directors called for increasing Fund financing of RCDCs to ensure a more stable source of funds and noted that a stronger role for IMF internal financing should be explored. Other Directors recognized that implementation would depend on resource availability.</p>	<p>CDSR will make recommendations to enhance the Fund's field presence, strengthen RCDC governance and place their financing issues on a more sustainable footing.</p> <p>Prepare a CD Guidance Note that will include further guidance on RCDC governance, roles of HQ and field, good practices on knowledge exchange mechanisms and other issues arising from the IEO and strategy recommendations.</p>	<p><b>By:</b> December 2023 <b>Responsible:</b> ICD in consultation with the ICG and EAG.</p> <p><b>By:</b> December 2024 <b>Responsible:</b> Lead ICD in consultation with area and functional departments.</p>

The IMF and Capacity Development—Management Implementation Plan (continued)			
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<p><b>Recommendation 5. Further enhance the Monitoring and Evaluation system and fully exploit it to drive improvement in CD prioritization, design, and delivery.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>• A thorough assessment of CDMAP progress and remaining challenges, with further fine-tuning of CDMAP to ensure that the system is as user-friendly as possible.</li> <li>• Developing a more coherent institution-wide strategy for CD evaluation to be endorsed by the CCB, covering both internal and external evaluations, that guides what will be evaluated and by whom, ensuring lessons are distilled and effectively disseminated.</li> <li>• Streamlined project assessment reports prepared at the conclusion of all projects should include lessons learned with broad applicability and comments from the relevant authorities, to serve as the building blocks for broader evaluations.</li> </ul> <p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>• Exploring how more systematic use of RBM results could help enhance assessment of CD effectiveness and cost effectiveness and contribute to prioritization and allocation decisions.</li> </ul>	<p>Directors broadly agreed with Recommendation 5.</p> <p>Directors encouraged continued efforts to improve the quality and consistency of RBM, including through closer communication between area and CD departments and with authorities. Directors emphasized that the CCB should continue to strive for a coherent and effective evaluation strategy to learn lessons for how to ensure maximum CD impact. Noting the already extensive externally mandated evaluation program, Directors suggested seeking to make strategic use of their findings and synthesize them so they can better inform planning, design, and prioritization of all Fund CD. They also noted that options should be explored to further strengthen the strategic planning and execution of internal evaluations, while bearing in mind cost-benefit trade-offs.</p> <p>Directors encouraged undertaking a thorough assessment of progress under CDMAP and remaining implementation challenges, along with fine-tuning of operational practices as experience with CDMAP accumulates.</p>	<p>CD strategy will make recommendations to enhance the Fund's monitoring and evaluation (M&amp;E) system to improve strategic planning, and execution of CD. The Strategy will cover strategic selection and use of evaluations as a tool for CD prioritization and learning from and operationalizing evaluation results (including a synthesis of evaluation findings).</p> <p>Prepare a CD Guidance Note that will provide operational guidance on RBM and other M&amp;E issues raised in strategy review.</p> <p>Develop a RBM Dashboard available to staff to improve results reporting and delivery coverage and to aid in CD planning and prioritization.</p> <p>Launch RBM e-learning to improve staff's access to RBM requirements and best practice.</p> <p>Undertake advisory review of CDMAP processes and functionality to identify opportunities for efficiency and user experience gains.</p> <p>Prepare and propose a follow up CDMAP capital project to incorporate lessons of review and incorporate implementation requirements of CDSR to improve system performance and user experience.</p>	<p><b>By:</b> December 2023 <b>Responsible:</b> ICD in consultation with the ICG and EAG.</p> <p><b>By:</b> December 2024 <b>Responsible:</b> Lead ICD in consultation with area and functional departments.</p> <p><b>By:</b> July 2023 <b>Responsible:</b> ICD</p> <p><b>By:</b> June 2023 <b>Responsible:</b> ICD</p> <p><b>By:</b> December 2023 <b>Responsible:</b> OIA in consultation with ICD and other departments</p> <p><b>By:</b> December 2024 <b>Responsible:</b> ICD</p>

<b>The IMF and Capacity Development—Management Implementation Plan (continued)</b>			
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<ul style="list-style-type: none"> <li>Developing a framework and processes to assess CD effectiveness and impact at the level of countries and their key institutions, as well as the synergies between CD, surveillance, and lending.</li> <li>The five-yearly CDSR should be informed by a comprehensive assessment of performance and actual outcomes and impact.</li> </ul>			
<p><b>Recommendation 6. Consider further steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>Further enhancements in the management of the current external funding model to enhance its effectiveness and efficiency.</li> <li>Exploring potential alternatives to increase funding, such as a targeted increase in contributions from higher-income recipients, an internal stabilization mechanism, or larger contributions from internal resources.</li> <li>Enhancing communication across departments regarding requests and engagement with donors.</li> </ul>	<p>Directors broadly agreed with Recommendation 6.</p> <p>Directors saw the benefit of continuing to explore new options, although they recognized that the scope for, or speed of, significant gains may be limited, given pressures on both Fund and donor budgets.</p> <p>Many Directors suggested a review of the CD funding model, including external funding vehicles. Directors noted, however, that the merit and practicality of the different options would have to be carefully considered in light of the Fund's income model and donors' preferences and constraints.</p>	<p>CDSR will consider funding issues, including those related to flexibility and sustainability, particularly in the context of RCDCs. The Review will:</p> <ul style="list-style-type: none"> <li>Review the CD funding model and explore new funding options, including further increasing the internal funding for CD and consider risk mitigating strategies.</li> <li>Assess the relative costs and benefits of various forms of engagement by HQ and field-based experts and field presence; explore policies (including HR and budget) to support deeper field presence</li> <li>Explore whether changes are needed in the mandates, internal governance, and financing structure of RCDCs</li> </ul>	<p><b>By:</b> December 2023</p> <p><b>Responsible:</b> ICD in consultation with the ICG and EAG.</p>

<b>The IMF and Capacity Development—Management Implementation Plan (concluded)</b>			
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<p><b>Recommendation 7. Calibrate HR policies and incentives to ensure that the IMF maintains and enhances the quality and continuity of CD expertise, and that CD receives appropriate priority as an integral aspect of country engagement.</b></p> <p>Possible specific short-term steps include:</p> <ul style="list-style-type: none"> <li>• Energizing the development and implementation of an ambitious expert track to enhance career opportunities by providing additional budgetary resources.</li> <li>• Taking steps to complete the workforce planning and talent inventory initiatives to allow better tracking and planning of CD expertise across the Fund.</li> <li>• Seeking to build on innovations introduced during the pandemic with a view to appealing to a broader candidate pool and helping attract high-quality and diverse experts.</li> <li>• Re-examining HR policies and practices to assess whether they are appropriately calibrated to balance the tension between flexibility and continuity in CD expertise.</li> </ul> <p>Over the medium term, as resources permit, IEO also proposes consideration of:</p> <ul style="list-style-type: none"> <li>• Consideration of the extent to which HR policies and practices for CD staff are appropriately calibrated to balance the tension between flexibility and continuity in CD expertise.</li> </ul>	<p>Directors agreed with Recommendation 7. Directors recognized that the timing of implementation of some other elements of this recommendation would need to be aligned with the pace of broader HR reforms, although a number of Directors suggested there could be scope to consider options on</p> <p>flexible working arrangements, at least on a trial basis. Directors looked forward to proposals in the MIP on staff incentives to work in CD. They noted that raising the recognition and opportunities for CD specialists at the Fund also requires behavioral and cultural changes.</p>	<p>CDSR will consider a number of issues, including those relating to the retention and career tracks of CD specialists, program managers and administrators and improvement of staff incentives to work on CD. This review of HR issues focused on CD will need to account for the interdependencies and alignment with other HR policies and initiatives.</p> <p>Finalize proposal for establishing enhanced expert track.</p> <p>Complete the enhancement of the Talent Inventory to include the macro-financial experience of fungible economists and continue to enhance the CD Strategy</p> <p>Further update the workforce planning materials for selected CD management job families/functions and incorporate CD department feedback into the workforce planning tool (Adaptive Insights)</p>	<p><b>By:</b> December 2023 <b>Responsible:</b> ICD in consultation with the Interdepartmental Contact Group and External Advisory Group.</p> <p><b>By:</b> May 2025 <b>Responsible:</b> HRD</p> <p><b>By:</b> May 2025 <b>Responsible:</b> HRD</p> <p><b>By:</b> April 2024 <b>Responsible:</b> HRD in consultation with ICD and CD departments.</p>